

**U.S. Department of Labor
Office of Inspector General
Office of Investigations-Labor Racketeering and Fraud**



**2017 National UI Issues Conference
Boston, Massachusetts**



OIG Investigative Mission

LABOR RACKETEERING

- Employee Benefit Plans
 - Fraud/Embezzlement re: Pension Plans/401(k) Plans, Health Care Plans, etc.)
- Labor-Management Relations
 - Extortion; Kickbacks; etc.
- Internal Union Affairs
 - Embezzlement of union assets; no-show jobs; etc.

PROGRAM FRAUD

“Traditional” Vs. Non-Traditional IG Work



Program Fraud

- Unemployment Insurance Fraud
- Medical Providers/Pharmacies who fraudulently bill DOL workers' compensation programs
- Foreign Labor Certification (Visa Fraud)
 - Permanent, H1-B, H-2A, H-2B employment-based visas
- Wage and Benefit-Related Fraud
 - Davis-Bacon Act (Prevailing Wage Statute)
 - Copeland Act (Anti-Kickback Statute)
 - Service Contract Act
- Workforce Innovation and Opportunity Act



DOL/OIG Nexus to UI Fraud



- Inspector General Act of 1978 confers authority to DOL-OIG to conduct investigations related to DOL programs
- UI is a joint Federal-State program, administered and overseen by DOL-ETA
- Virtually all administrative costs for the UI program are paid from federal DOL funds
- ETA guidance requires SWAs to notify DOL-OIG:
 - Of fictitious employer schemes
 - Of theft/embezzlement/fraud by SWA employees
 - Of routine fraud referrals



Fraud Detection

- Proactive data analysis
- Cultivate state/local law enforcement referrals by educating them on UI fraud and what to look for, i.e., debit card designs, SWA envelopes
- Share information about cases and evolving red flag indicators and potential system vulnerabilities
- Stay abreast of misuse of PII/identity theft cases/complaints
 - If someone is committing large-scale UI fraud, odds are they are also into other fraud schemes, i.e., SIRF, SNAP, disability fraud
- Examine SWA/debit card vendor contracts for possible vulnerabilities
- Frequently, defendants will share the various ways in which “it was so easy”

UI Fictitious Employer and Identity Theft Schemes



- Personal identity information of real individuals, witting and/or unwitting, are obtained and used in furtherance of the scheme
- Fraudulent registrations, quarterly wage reports, and other documents are filed to give the appearance that companies exist and pay wages to real individuals
- Fraudulent individual claims filed
- SWA, through a vendor, issues debit cards
- Conspirators, usually not the individuals whose identities were used to file the claims, obtain and use debit cards
- Conspirators continue to file weekly/bi-weekly claims
- When a fictitious employer is detected and shut down, start looking for another to pop up



Prevention

1) Proactive data analysis to identify and stop ongoing frauds, discover trends, new schemes, etc.

2) Sharing investigative findings to help mitigate vulnerabilities

– Example:

- An investigation revealed that conspirators attempted to avoid detection by providing the SWA with one mailing address (pulled from real estate listings), and then promptly contacting the debit card vendor to request cards be mailed to different addresses and PO boxes under their control
 - The debit card vendor did not relate this information to the SWA. Thus, no “common address” red flag in SWA system
 - The SWA quickly fixed the issue by requiring any address change be processed through the SWA
- Other issues to address with debit card vendor?
- » Revisit contractual obligations?

Difficulties in Detection, Prevention and Investigation

- The internet provides anonymity to fraudsters
- So do debit cards, making it difficult to trace activity and use of funds
- Identifying use of the same IP addresses, both within and across states
- Identifying claims filed in multiple states using the same PII
- Identity verification due to automated processes
- Communication between SWA components, e.g., cross-matching of tax filings against benefit claims

Potential Pitfalls in Investigations (to name a few)

- Data becomes unavailable via routine/automatic purges or intentional deletions
- Not keeping partners updated as investigation progresses, and vice versa
- Failing to inquire with any particular SWA UI component for potential evidence
- State initiated civil/administrative actions during federal criminal case

More Potential Pitfalls

- SWA correspondence with targets, subjects, witnesses
- Limited IP address information, or IPs that come back to Wi-Fi hotspots
- Poor cooperation/compliance from debit card vendors
- Failure to “study up” on your state UI program and articulate details to AUSA

Some 2016 and 2017 Case Results

Southern California Man Found Guilty in \$5 Million Unemployment Insurance Fraud Scheme

U.S. v. Parks et al. (E.D. California)

Joint investigation with the California Employment Development Department and the FBI.

Florida Man Sentenced to 84 Months in Prison for Identity Theft Scam to Obtain More Than \$585,000 from the Florida Department of Economic Opportunity and the IRS

U.S. v. Badoo (S.D. Florida)

Joint investigation with the Florida DEO, IRS, et al.

Former Illinois Tax Preparer Sentenced to Four Years in Prison for Obtaining More Than \$315,000 Through Identity Theft/UI Fraud

U.S. v. Leticia Williams-English (N.D. Illinois)

Joint investigation with the Illinois Department of Employment Security and the U.S. Postal Inspection Service.

Three California Residents Sentenced to Combined 198 Months in Prison for Decades-Long Scheme to Obtain More Than \$14 Million in UI and Disability Benefits

U.S. v. Khan, et al. (E.D. California)

Joint investigation with the California EDD and the FBI.

Some 2016 and 2017 Case Results

New Jersey Woman Sentenced to 7 Years in Prison for Fictitious Employer Scheme

U.S. v. Erica Rivera (D. New Jersey)

Joint investigation with the New Jersey Division of Criminal Justice and New Jersey Department of Labor and Workforce Development.

Kansas Identity Thief Pleads Guilty to Filing Fraudulent UI Claims and Federal Tax Returns

U.S. v. Odegbaro et al. (D. Kansas)

Joint investigation with IRS CID, HUD-OIG, ED-OIG, USDA-OIG, Kansas Department of Labor, and Kansas Department for Children and Families.

Four Detroit Area Residents and Two Additional Co-Defendants Plead Guilty in an Unemployment Benefit Fraud Scheme

U.S. v. Driscoll et al. (E.D. Michigan)

Joint investigation with the FBI, U.S. Postal Inspection Service, and the Michigan Unemployment Insurance Agency.

Rhode Island Executive Convicted of \$170,000 Unemployment Insurance and Union Benefit Fraud Scheme

U.S. v. Steven F. Pagliarini (D. Rhode Island)

Joint investigation with the Rhode Island Department of Labor and Training, et al.



Contact

Michael C. Mikulka
Special Agent-in-Charge
New York Region

and

Acting Special Agent-in-Charge
Division of Investigations and
Administration
OIG Headquarters, Washington DC

(646) 264-3564

Mikulka.Michael@oig.dol.gov